

Basic information	
<p><b>2007/0289(CNS)</b></p> <p>CNS - Consultation procedure Regulation</p>	Procedure completed
<p>Generalised scheme of tariff preferences (GSP): rules for the application of the GSP scheme for the period from 1 January 2009 to 31 December 2011</p> <p>Amending Regulation (EC) No 552/97 <a href="#">1996/0317(CNS)</a> Amending Regulation (EC) No 552/97 <a href="#">1997/0041(CNS)</a> Repealed by <a href="#">2011/0117(COD)</a> Amended by <a href="#">2010/0140(COD)</a></p> <p><b>Subject</b></p> <p>6.20.01 Agreements and relations in the context of the World Trade Organization (WTO) 6.20.04 Union Customs Code, tariffs, preferential arrangements, rules of origin 6.30.01 Generalised scheme of tariff preferences (GSP), rules of origin</p>	

Key players				
European Parliament	<b>Committee responsible</b>		<b>Rapporteur</b>	<b>Appointed</b>
	<a href="#">INTA</a> International Trade		MARKOV Helmuth (GUE /NGL)	25/02/2008
	<b>Committee for opinion</b>		<b>Rapporteur for opinion</b>	<b>Appointed</b>
	<a href="#">DEVE</a> Development		KACZMAREK Filip (PPE-DE)	27/02/2008
Council of the European Union	<b>Council configuration</b>	<b>Meetings</b>	<b>Date</b>	
	General Affairs	2885	2008-07-22	
European Commission	<b>Commission DG</b>		<b>Commissioner</b>	
	Trade and Economic Security		MANDELSON Peter	

Key events			
Date	Event	Reference	Summary
21/12/2007	Legislative proposal published	<a href="#">COM(2007)0857</a> 	Summary

19/02/2008	Committee referral announced in Parliament		
27/05/2008	Vote in committee		Summary
29/05/2008	Committee report tabled for plenary, 1st reading/single reading	<a href="#">A6-0200/2008</a>	
04/06/2008	Debate in Parliament		
05/06/2008	Decision by Parliament	<a href="#">T6-0252/2008</a>	Summary
05/06/2008	Results of vote in Parliament		
22/07/2008	Act adopted by Council after consultation of Parliament		
22/07/2008	End of procedure in Parliament		
06/08/2008	Final act published in Official Journal		

Technical information	
Procedure reference	2007/0289(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Regulation
Amendments and repeals	Amending Regulation (EC) No 552/97 <a href="#">1996/0317(CNS)</a> Amending Regulation (EC) No 552/97 <a href="#">1997/0041(CNS)</a> Repealed by <a href="#">2011/0117(COD)</a> Amended by <a href="#">2010/0140(COD)</a>
Legal basis	EC Treaty (after Amsterdam) EC 133
Stage reached in procedure	Procedure completed
Committee dossier	INTA/6/57775

Documentation gateway				
<b>European Parliament</b>				
Document type	Committee	Reference	Date	Summary
Committee draft report		<a href="#">PE404.790</a>	18/04/2008	
Committee opinion	<a href="#">DEVE</a>	<a href="#">PE404.397</a>	06/05/2008	
Amendments tabled in committee		<a href="#">PE405.994</a>	08/05/2008	
Committee report tabled for plenary, 1st reading/single reading		<a href="#">A6-0200/2008</a>	29/05/2008	
Text adopted by Parliament, 1st reading/single reading		<a href="#">T6-0252/2008</a>	05/06/2008	Summary
<b>European Commission</b>				
Document type	Reference	Date	Summary	
Legislative proposal	<a href="#">COM(2007)0857</a> 	21/12/2007	Summary	

Document attached to the procedure	<a href="#">SEC(2007)1726</a> 	21/12/2007	
Document attached to the procedure	<a href="#">SEC(2007)1727</a> 	21/12/2007	
Commission response to text adopted in plenary	<a href="#">SP(2008)4439</a>	16/07/2008	
Follow-up document	<a href="#">COM(2011)0271</a> 	17/05/2011	<a href="#">Summary</a>
Follow-up document	<a href="#">COM(2011)0272</a> 	17/05/2011	
Follow-up document	<a href="#">SEC(2011)0578</a> 	17/05/2011	

Additional information		
Source	Document	Date
National parliaments	<a href="#">IPEX</a>	
European Commission	<a href="#">EUR-Lex</a>	

Final act
<a href="#">Regulation 2008/0732</a> <a href="#">OJ L 211 06.08.2008, p. 0001</a> <span style="float: right;"><a href="#">Summary</a></span>

## Generalised scheme of tariff preferences (GSP): rules for the application of the GSP scheme for the period from 1 January 2009 to 31 December 2011

2007/0289(CNS) - 22/07/2008 - Final act

**PURPOSE:** to set out the rules for the application of the scheme of generalised tariff preferences for the period from 1 January 2009 to 31 December 2011.

**LEGISLATIVE ACT:** Council Regulation (EC) No 732/2008 applying a scheme of generalised tariff preferences for the period from 1 January 2009 to 31 December 2011 and amending Regulations (EC) No 552/97, (EC) No 1933/2006 and Commission Regulations (EC) No 1100/2006 and (EC) No 964/2007

**BACKGROUND:** the generalised system of preferences (GSP) allows access to the Community market for manufactured products and certain agricultural products from developing countries, with a full or partial exemption from customs duties. The system enables the EU to assist those countries in their struggle against poverty, by helping them obtain an income through international trade. The GSP for 2009 to 2011 is focused mainly on **encouraging sustainable development and good governance** in the countries which need them most. This update is in the framework of the guidelines adopted by the Commission in 2004, which established the main principles of the GSP for 2006 to 2015.

Introduced in the 1970s, the GSP is part of the overall framework of the priorities of Community trade policy, particularly those established by the World Trade Organisation (WTO). Thus the GSP is an instrument both of EU trade policy and of EU development policy. Some 180 countries and territories currently appear on the list of beneficiaries of the Community system of generalised tariff preferences.

**CONTENT:** the Council adopted a Regulation updating the EU system of generalised tariff preferences for 2009 to 2011.

The Regulation provides for three tariff preferences:

1. **A general arrangement:** this is granted to all those beneficiary countries which are not classified by the World Bank as high-income countries and which are not sufficiently diversified in their exports. A beneficiary country shall be removed from the scheme when it has been classified

by the World Bank as a high-income country during three consecutive years, and when the value of imports for the five largest sections of its imports covered by the GSP into the Community represents less than 75 % of the total GSP-covered imports from that beneficiary country into the Community. In addition, when a beneficiary country benefits from a preferential trade agreement with the Community which covers all the preferences provided for by the scheme to that country, it shall be removed from the list of beneficiary countries. Furthermore, there should be continued differentiation of the preferences between 'non-sensitive' products and 'sensitive' products, to take account of the situation of the sectors manufacturing the same products in the Community. Tariff duties on non-sensitive products should continue to be suspended, while duties on sensitive products should enjoy a tariff reduction, in order to ensure a satisfactory utilisation rate while at the same time taking account of the situation of the corresponding Community industries. Such a tariff reduction should be sufficiently attractive, in order to motivate traders to make use of the opportunities offered by the scheme.

2. **A special incentive arrangement for sustainable development and good governance:** additional tariff preferences will be granted to those developing countries which, due to a lack of diversification and insufficient integration into the international trading system, are vulnerable while assuming the special burdens and responsibilities resulting from the ratification and effective implementation of core international conventions on human and labour rights, environmental protection and good governance. Under this arrangement, the ad valorem tariffs is suspended for the beneficiary countries concerned, as well as the specific duties, unless combined with an ad valorem duty. Developing countries which fulfil the criteria for being eligible for the special incentive arrangement will be able to benefit from the additional tariff preferences if, upon their application, the Commission confirms their qualification by 15 December 2008. The countries which already benefit from the special arrangement for sustainable development and good governance must renew their applications.
3. **A special arrangement for the least-developed countries.** This will continue to grant duty-free access to the Community market for products originating in the least-developed countries, as recognised and classified by the UN. For a country no longer classified by the UN as a least-developed country, a transitional period is established, to alleviate any adverse effects caused by removal of the tariff preferences granted under this arrangement.

The Commission should monitor the effective implementation of the international conventions in accordance with their respective mechanisms and should assess the relationship between the additional tariff preferences and the promotion of sustainable development.

The list of products concerned by the revised GSP is set out in Annex II of the Regulation.

#### **Technical amendments concerning the implementation of the GSP:**

- **"Sugar" measures:** to ensure coherence with the market access provisions for sugar in the Economic Partnership Agreements, the duty free access for sugar should apply from 1 October 2009.
- **Graduation mechanism:** whenever an individual country's performance on the EU market over a three-year period exceeds or falls below a set threshold, preferential tariffs are either suspended or re-established. The graduation of a section for a beneficiary country should be applied when the section meets the criteria for graduation during three consecutive years, in order to increase predictability and fairness of graduation by eliminating the effect of large and exceptional variations in the import statistics.
- **Temporary withdrawal:** the reasons for temporary withdrawal should include serious and systematic violations of the principles laid down in certain international conventions concerning core human rights and labour rights or related to the environment or good governance, so as to promote the objectives of those conventions and to ensure that no beneficiary country receives unfair advantage through continuous violation of those conventions. Due to the political situation in Myanmar and in Belarus, the temporary withdrawal of all tariff preferences in respect of imports of products originating in Myanmar or Belarus should be maintained.

ENTRY INTO FORCE: 26/08/2008.

APPLICATION: it shall apply from 1 January 2009 until 31 December 2011. However, the expiry date shall not apply to the special arrangement for the least-developed countries.

## **Generalised scheme of tariff preferences (GSP): rules for the application of the GSP scheme for the period from 1 January 2009 to 31 December 2011**

2007/0289(CNS) - 05/06/2008 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted, by 620 votes to 17 with 14 abstentions, a legislative resolution amending the proposal for a Council regulation applying a scheme of generalised tariff preferences for the period from 1 January 2009 to 31 December 2011 and amending Regulations (EC) No 552 /97, No 1933/2006 and Commission Regulations (EC) No 964/2007 and No 1100/2006.

The report had been tabled for consideration in plenary by Helmut **MARKOV** (GUE/NGL, D) on behalf of the Committee on International Trade.

The main amendments – adopted in the framework of the consultation procedure – are as follows:

**Impact-assessment study:** a new Article 26a is introduced, which governs the assessment procedure, and provides for the inclusion of remarks by the beneficiary countries. It states that the Commission shall keep the European Parliament regularly informed with regard to: (a) trade statistics between the EU and GSP beneficiary countries; b) the status of ratification and implementation of the conventions included in Annex III by each country benefiting from the special incentive arrangement. Where appropriate, the Commission will include recommendations on whether additional steps for the effective implementation of a convention should be taken by a specific country; c) relevant information on progress towards the achievement of the MDGs, especially in LDCs.

The Commission shall prepare an impact assessment study of the effects of the GSP covering the period from 1 January 2006 to 31 December 2009. The study shall be transmitted to the Committee, the European Parliament and the European Economic and Social Committee by 1 March 2010. The

Commission, after consulting the Committee, will set the contents of the impact-assessment study, which shall include the views of the beneficiary countries and in any event shall contain at least the following elements:

- an in-depth statistical analysis of GSP utilisation rates per country and a section including a comparison with previous years;
- an evaluation of the social and trade-related effects of graduation on graduated countries;
- a preliminary assessment of the effects of future graduation on the countries likely to be graduated under the next regulation;
- an analysis of the potential effects of extending the system of preferences by increasing the preferential margin accorded to sensitive products and/or transferring 'sensitive' products to the 'non-sensitive' category;
- an evaluation of the contribution of this regulation to the achievement of the MDGs, in particular in relation to LDCs.

The Commission will submit a special report to the European Parliament at the time of the conclusion of the Doha Round, examining the impact of the negotiations on the scheme established in the Regulation and considering the measures to be adopted to ensure the effectiveness of the generalised system of preferences. The Committee shall examine the effects of the scheme, on the basis of the impact assessment study.

**Transparency and predictability:** on the basis of the latest comparable and adjusted data available at the time of adoption of the Regulation, the Commission shall establish which beneficiary countries meet the criteria set out in Article 3(1) i.e when a beneficiary country is removed from the scheme when it has been classified by the World Bank as a high-income country. Each year the Commission shall publish a notice in the Official Journal of the European Union listing the beneficiary countries which meet the criteria as above.

**Precedence of commercial agreement:** when a beneficiary country benefits from a preferential commercial agreement with the Community, the application of the commercial agreement shall take precedence over the application of the scheme provided that the agreement effectively implements and, where appropriate, consolidates at least all of the preferences provided for by the scheme to that country. A commercial agreement with the Community shall not preclude eligibility for the special incentive arrangement set out in the Regulation.

**Technical assistance:** in order to improve the impact of the scheme, the Commission shall provide developing countries and especially LDCs with adequate technical assistance for building the institutional and regulatory capacity required to reap the benefits of international trade and the GSP. Technical assistance shall also be provided to help eligible developing countries comply with the ratification and effective implementation requirements of the new special incentive arrangement for sustainable development and good governance.

**Rules of origin:** a new recital states that the rules of origin should be reviewed to take account of inter-regional and global cumulation and the possibility of a country benefiting from preferential treatment under the GSP, the GSP+ and the 'Everything But Arms' (EBA) initiative, even if it is not the final destination of the export, provided that substantial value is added to the products in the country in question. In the course of this review, the 'double transformation' requirement for certain products should also be eliminated. A new clause stipulates that the form, substance and procedures of the system of rules of origin shall be subject to regular revision in order to evaluate its effect on GSP utilisation rates and to serve better the purpose of promoting economic development. Furthermore, the Commission shall give priority within the WTO to harmonising rules of origin which introduce preferential treatment for developing countries and LDCs.

**Revision of special arrangements:** the Commission shall present, to the European Parliament and to the Council, a report on the status of ratification and implementation of conventions listed in Annex III, by each country benefiting from the special incentive arrangement. Where appropriate, the Commission shall include recommendations by monitoring bodies on whether additional steps for the effective implementation of a convention should be taken by a specific country. In its report the Commission shall also evaluate the effectiveness of the special incentive arrangement in fulfilling its aim and recommend, where appropriate, the revision of Annex III.

Parliament also makes provision for a country which complies with the relevant criteria after 31 October 2008 to request the granting of special incentive arrangements. To ensure that the special incentive arrangement retains its incentive nature, it is essential to keep open the possibility of making new requests. The frequency proposed is once per year.

**Fundamental labour standards:** in the light of the reasons set out in the text, the Commission shall automatically open an inquiry in any case where the ILO Committee on the Application of Standards devotes a 'special paragraph' to a beneficiary country which does not comply with fundamental labour standards.

**Parliamentary oversight:** Parliament introduced several clauses to ensure that it should be notified of matters under the Regulation. Where a beneficiary country is removed from the list of beneficiary countries, the Commission shall notify the country in question and the European Parliament. Where a requesting country is not granted the special incentive arrangement, the Commission shall give the reasons and inform the requesting country, and the European Parliament, thereof. The Commission shall regularly check that the commitments of beneficiary countries are being honoured and that none of the reasons set out in the Regulation for the temporary withdrawal of preferential arrangements applies. It shall publish an annual report on temporary withdrawals and send it to the European Parliament, the Council, and the Member States. Parliament made several amendments reinforcing the role of other institutions, particularly the European Parliament. It introduced the option of consulting representatives of civil society.

**Report:** the Generalised Preferences Committee shall examine the effects of the scheme, on the basis of a report from the Commission covering the period since 1 January 2006 (rather than 1 January 2009.) This report shall contain an impact assessment study covering at least the following points: a comparative study of GSP utilisation rates under the Regulation and the previous ones, in order to identify the positive and negative trends; an evaluation of the effects of graduation in the poverty indicators of the countries affected; a comparative study of the preferential treatment offered by the GSP and by the EPAs.

**Revision of the Regulation:** the proposal for a revised regulation covering the period 1 January 2012 to 31 December 2014 shall be transmitted by the Commission to the European Parliament, the Council and the European Economic and Social Committee by 1 June 2010. The new proposal shall duly take into consideration the results of the impact-assessment study.

## Generalised scheme of tariff preferences (GSP): rules for the application of the GSP scheme for the period from 1 January 2009 to 31 December 2011

2007/0289(CNS) - 17/05/2011 - Follow-up document

The Commission presents a report on the status of ratification and recommendations by monitoring bodies concerning conventions listed in Annex III to Council Regulation (EC) No 732/2008 applying a scheme of generalised tariff preferences pursuant to Article 8(3) of this Regulation. It recalls that the GSP has three types of arrangements for beneficiaries: the general arrangement, the special incentive arrangement for sustainable development and good governance (hereinafter referred to as the 'GSP+') and the 'Everything But Arms' (EBA) initiative.

**The GSP+:** the GSP+ arrangement offers additional tariff reductions, on top of those available under the general GSP, to a selected group of developing countries that are vulnerable due to a lack of diversification in traded goods and insufficient integration into the international trading system. To qualify for GSP+, they have to ratify and implement specified core international human, labour, environmental and good governance conventions. The report describes the status of ratification and effective implementation of the Conventions listed in Annex III by 16 GSP+ beneficiary countries: Armenia, Azerbaijan, Bolivia, Colombia, Costa Rica, Ecuador, El Salvador, Georgia, Guatemala, Honduras, Mongolia, Nicaragua, Panama, Peru, Paraguay and Sri Lanka.

In comparison with the previous GSP+ arrangement, for the years 2006-2008, there were three new countries covered by GSP+ preferences: Armenia, Azerbaijan and Paraguay. Moldova and Venezuela ceased to be beneficiaries. In March 2008, Moldova was removed from the list of beneficiary countries as it was granted autonomous preferences under a separate EU legal instrument. In August 2009, Venezuela was removed from the list of beneficiary countries<sup>5</sup> as it did not ratify the United Nations (UN) Convention against Corruption. Panama did not submit an application for the GSP+ by the 31 October 2008 deadline, so it did not benefit from the GSP+ arrangement from 1 January 2009 to 30 June 2010. As of 16 August 2010, the GSP+ arrangement was temporarily withdrawn from Sri Lanka

**Human Rights Conventions:** the report states that beneficiary countries generally comply with requirements regarding the effective implementation of human rights conventions. However, there were delays on the part of most countries in reporting to UN monitoring bodies. Nevertheless, monitoring bodies noted a number of positive developments, including the adoption of legislative and policy measures taken with a view to implementing conventions. They welcomed these positive developments and recommended strengthening efforts to bring domestic law into full compliance with the relevant conventions. At the same time, the monitoring bodies drew attention to certain shortcomings concerning legislative alignment with the conventions, and their implementation in practice. The Commission is using its bilateral dialogues to monitor the progress made by beneficiary countries to comply with the requirements of the conventions and to catalyse further progress. Action will be taken if justified, as was done in the case of Sri Lanka.

In 2008, information received by the Commission indicated that the national legislation of Sri Lanka incorporating international human rights conventions, in particular the International Covenant on Civil and Political Rights, the Convention against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment and the Convention on the Rights of the Child, was not being effectively implemented. The Commission initiated an investigation and concluded that Sri Lanka was not effectively implementing these three conventions. On 15 February 2010, the Council decided to temporarily withdraw GSP+ preferential tariff benefits with respect to Sri Lanka. The special incentive arrangement for products originating in Sri Lanka should be re-established if the reasons justifying the temporary withdrawal no longer prevail. The temporary withdrawal took effect on 16 August 2010.

**Labour Rights Conventions:** beneficiary countries generally comply with the requirements regarding the effective implementation of core ILO labour standards, as set out in the fundamental ILO conventions. However, shortcomings in the implementation of some conventions have been reported by ILO monitoring bodies, especially regarding the implementation of the Conventions No 87 and 98, but also Conventions No 100, 111, 138 and 182. Notwithstanding these issues, the monitoring bodies recognise the constructive engagement of beneficiary countries in the monitoring process, and the Commission is using its bilateral dialogues to monitor the progress beneficiary countries are making to comply with the requirements of the conventions. Action will be taken if justified.

On 31 March 2008 the Commission initiated an investigation to establish whether the national legislation of El Salvador still incorporated the ILO Convention No 87; and whether that legislation was being effectively implemented. The findings of the investigation did not justify temporary withdrawal of the special incentive arrangement. The investigation was therefore terminated.

**Environmental protection and Good Governance Conventions:** according to reports issued by the monitoring bodies, the compliance with environmental and good governance conventions was generally satisfactory. However, there still are some shortcomings in terms of reporting obligations. Again, the Commission is using its bilateral dialogues to monitor progress by beneficiary countries.

**GSP+ Dialogue:** the Commission intends to maintain, and, wherever necessary, to intensify its bilateral dialogue with individual GSP+ countries so as to encourage ongoing progressive improvement in the implementation of GSP+ conventions.

## Generalised scheme of tariff preferences (GSP): rules for the application of the GSP scheme for the period from 1 January 2009 to 31 December 2011

PURPOSE: to apply a scheme of generalised tariff preferences (2009-2011).

PROPOSED ACT: Council Regulation.

BACKGROUND: since 1971 the Community has granted trade preferences to developing countries in the framework of the "Generalised System of Preferences" (GSP) as part of its on-going development policy. The key objective of GSP is to help developing countries benefit from globalisation by linking trade with sustainable development.

To recall, in July 2004 the Commission adopted a set of guidelines on the role of the GSP for a ten year period lasting from 2006 to 2013. The guidelines introduced a number of new objectives that involved certain changes to the scheme including: targeting those countries most in need; enlarging the product coverage of the GSP products; making the graduation system more transparent and stable; and introducing a new special incentive scheme to encourage sustainable development and good governance. These guidelines are put into operation via implementing Regulations. The first of these implementing Regulations entered into force on 1 January 2006 and will expire on 31 December 2008. (See: [CNS/2004/0242](#)).

CONTENT: the purpose of this proposal is to propose a second implementing GSP Regulation that will enter into force on 1 January 2009 and expire on 31 December 2011. The Regulation will set out provisions on how the GSP is to be applied. These provisions remain strictly within the remits of the guidelines and the substance of the scheme remains unchanged. The following tariff preferences are listed:

- a general arrangement;
- a special incentive arrangement for sustainable development and good governance (additional tariff preferences should be granted to those developing countries which, due to a lack of diversification and insufficient integration into the international trading system, are vulnerable while assuming the special burdens and responsibilities due to the ratification and effective implementation of core international conventions on human and labour rights, environmental protection and good governance); and
- a special arrangement for the least-developed countries (duty-free access to products originating in the least-developed countries, as recognised and classified by the United Nations).

The proposal states that a beneficiary country can be removed from the scheme when it has been classified as a high-income country. Similarly it may be removed from the scheme when: its imports covered by the GSP into the Community represents less than 75% of the total GSP-covered imports from that beneficiary country into the Community and in cases where the country already benefits from a preferential commercial agreement. The products to which the scheme applies are listed in Annex II.

Although based largely on the previous implementing Regulation, the Commission is proposing some additional new provisions. They include:

- modifications to Annex I (graduation): graduation involves the exclusion of countries/sectors whose competitiveness no longer requires the granting of preferences or their re-inclusion, in the contrary case. The proposal provides that graduation should be based on criteria related to sections of the Common Customs Tariff. The graduation of a section for a beneficiary country should be applied when the section meets the criteria for graduation during three consecutive years, in order to increase predictability and fairness of graduation by eliminating the effect of large and exceptional variations in the import statistics
- the criteria for ratification and implementation of all Conventions listed in Annex III;
- extending the period for the Council to adopt a GSP withdrawal Regulation (when a beneficiary country commits serious and systematic violations of the principles laid down in certain international conventions concerning core human rights and labour rights or related to the environment or good governance, the Council may decide to remove it from the list of beneficiary countries);
- extending the tariff quota for products under the subheading "raw cane sugar for refining" for three months until end September 2009 with a pro rate increase of its volume under the EBA arrangement (2008/2009).

On a final point, the proposal will not incur any costs charged to the EC budget. Its application will, however, entail a loss of customs revenue. Based on 2005 figures, the annual loss of customs revenue (total loss income minus the cost of the de-graduation) resulting from the application of the GSP Regulation was estimated to be EUR 3.6 billion. As a result of the application of the graduation mechanism under the proposed Regulation, the annual loss of customs revenue is estimated to be EUR 3.4 billion.